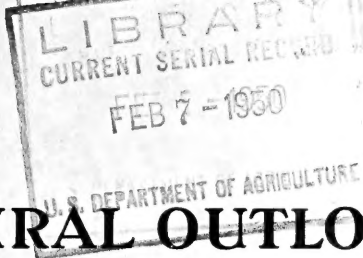


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Reserve

The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

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As 1949 passed into history, the Nation's industry was in high gear and gaining speed. To farmers, this was showing up in a continued high demand for their products.

With the market strong and price support programs bolstering many commodities, farmers' prices probably will continue near mid-December levels in the first quarter of 1950.

Since the beginning of 1949, the index of prices received by farmers has declined 12 percent. This left it 23 percent below the record of January 1948. The retreat from the inflation peak has been orderly except for the sharp break in February 1948, which was largely regained in the next few months.

The situation for the commodities groups differs considerably from the overall average. Some groups reached postwar peaks many months before January 1948; others later. The degree of decline has varied widely. The following table shows when index numbers for the various commodities reached postwar peaks and where they were at the end of 1949:

(1909-1914=100)

Commodity Group	Postwar Peak		Dec. 1949	Percent Decline
	Date	Level		
Food Grains	: Jan. 1948 :	322 :	219 :	32
Feed Grains & Hay	: Jan. 1948 :	318 :	170 :	47
Cotton	: May & June 1948 :	284 :	214 :	25
Tobacco	: Oct. 1948 :	418 :	415 :	0.7
Oil bearing crops	: Jan. 1948 :	377 :	212 :	44
Fruit 1/	: Jan. 1946 :	249 :	171 :	31
Truck Crops 1/	: Oct. 1947 :	314 :	194 :	38
Meat Animals	: July 1948 :	417 :	289 :	31
Dairy Products 1/	: June, July 1948 :	319 :	240 :	25
Poultry & Eggs 1/	: Aug. 1948 :	249 :	175 :	30
All Products	: Jan. 1948 :	307 :	236 :	23

1/Adjusted for seasonal variation.

As has usually happened in the past when prices generally were declining, the drop in prices farmers receive has far outstripped the drop in prices they pay. The index of prices paid by farmers including interest and taxes first reached its postwar peak in January 1948; was down only about 4 percent as 1949 ended. Largely as a result of this price-cost squeeze, net income of farm operators had dropped about one-fifth from the 1947 peak to 1949. The parity ratio has fallen from the peak of 133 in October 1946 to 98 for December 1949.

Most of the recent increase in industrial activity represented the recovery of ground lost as the result of the October work stoppages in coal and steel. Output in November was almost back up to the level of late summer but still was 12 percent below the postwar peak of a year ago.

The boom in the construction and automobile markets were powerful bulwarks to economic situation in 1949; will continue so this year. Outlays for new construction in 1950 are expected to equal the record of 19 billion dollars for 1949. No slackening of any consequence is in sight for automobile sales through at least the first half of this year.

Chief sign of economic weakness in view for 1950 is a gradual falling off in the amount of money business men spend for plant and equipment. These expenditures have been declining since last spring and in the first quarter of 1950 are expected to be about 14 percent below a year earlier.

Balancing out the prospects, though, indicates that industrial activity will stay at a high level in the first half of 1950.

FARM REAL ESTATE A steady decline trimmed 6 percent off national average farm real estate values from November 1948 to November 1949. This was the first significant drop for the period since 1932-33, but values still are double the 1935-39 average.

Among the regions, the Pacific States were down most with west south central States second. Smallest declines were shown in the middle Atlantic and west north central regions.

LIVESTOCK AND MEAT Hog prices dipped close to support levels in December but 1949 ended without any government buying.

The number of hogs over 6 months old on farms December 1 was about the same as a year earlier. Marketings in the next few months will not be much different from a year earlier and hog prices in January-March probably will rise seasonally.

The spring pig crop will be up 6 percent over the 1949 crop if as many sows farrow as indicated in December and the average number of pigs saved per litter is near that of recent years.

Cattle prices continue strong. Quotations for choice steers were a near record in December and the average for all slaughter steers was only 4 percent below a year earlier.

DAIRY PRODUCTS Milk production has been at record levels recently. Supplies for manufactured products have been larger than in late 1948. All of the increase has gone into butter and nonfat powder. Purchases of butter and nonfat dry milk for price support have been relatively large for the winter season.

POULTRY AND EGGS Heavy production resulted in a sharp drop in egg prices in the last 3 months of 1949. A general expectation that support prices for 1950 would be lower contributed to the decline late in the year. In mid-December, prices received by farmers averaged 40.5 cents a dozen compared with an average of 45.5 cents for the whole year. Usually the December average is about a fifth above the annual average.

In late December, USDA announced that it will seek to hold farm egg prices at an average of 37 cents per dozen for 1950. This is expected to be about 75 percent of parity.

FATS AND OILS Prices of most domestic fats and oils in November and December continued slightly below October. Output from domestic materials in the year beginning last October is expected to top 12 billion pounds, about 2 percent above last year and a new record.

FEEDS A 15 to 20 cent gain in corn prices, rising prices for wheat millfeeds, and some other lower protein byproduct feeds and a decline in prices of animal protein feeds characterized the feed market in the last 2 months. Animal proteins are now more nearly in line with other feeds than last summer and fall.

WHEAT Winter wheat farmers generally have planted pretty closely to their allotted acreage. According to the December wheat report, the first on the 1950 crop, 53 million acres were seeded, 15 percent less than last year but 11 percent more than the 1938-47 average. Condition of the crop December 1 indicated that 885 million bushels will be harvested next summer.

If spring wheat acreage is down the same as winter acreage and yields are average, 250 million bushels would be produced. This would bring the total crop to 1,135 million bushels. The 1949 crop was 1,146 million bushels; the record is 1,367 million set in 1947.

FRUITS AND VEGETABLES Marketings of apples from the 1949 crop were heavy but cold storage holdings December 1 were about 53 percent above a year earlier and 15 percent above average. Pear stocks were about 6 percent larger than a year earlier but 17 percent below average. The stockposition for apples indicates less than seasonal price increases in January and February; for pears, the likelihood of a seasonal gain.

Increasing supplies of citrus fruit indicate some price declines in the next two months.

Potato yields in 1949 were the second highest in history. As a result, our eighth largest crop in history was produced on the smallest acreage since 1878.

With large supplies on hand, potato prices probably will rise less than seasonally before the new crop comes to market but will average well above support for the season.

With supplies of fresh vegetables generally more plentiful, prices this winter probably will average moderately lower than last.

WOOL Foreign wool prices have been advancing since devaluation but dollar prices still are lower than before devaluation. Average prices received by U. S. wool producers in mid-December were about the same as just before devaluation.

TOBACCO Pre-holiday sales of burley brought an average of 46.4 cents per pound, slightly less than the 47.8 cents a year earlier. On the other hand, prices of Virginia fire-cured averaged a little higher than last year. Exports of U. S. tobacco in January-October 1949 were 18 percent larger than in the same period of 1948.